

Town Of Warrenton



Investment Policy **(Revised August 2003)**

TOWN OF WARRENTON INVESTMENT POLICY

SCOPE

This investment policy applies to all financial assets of the Town of Warrenton. These funds are accounted for in the Town's annual financial report and include:

- General Fund
- Capital Projects Fund
- Water and Sewer Fund
- Cemetery Fund
- Agency Fund
- Any new fund created by the Director of Finance and Personnel, unless specifically exempted by the Town Council.

This investment policy applies to all transactions involving the financial assets and related activity of all these funds.

OBJECTIVES

SAFETY - The investment manager has a fiduciary responsibility regarding the public funds managed, therefore safety, or the preservation of capital, shall be the primary objective.

LIQUIDITY - Maintenance of sufficient liquidity to meet operating cash requirements is essential to the Town of Warrenton's investment policy.

RETURN - The Town of Warrenton seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations and laws of the Commonwealth that restrict placement of certain public funds. The Town's investment manager is encouraged to represent the Town's best interest in seeking to remove constraints to the efficient investment of its funds.

All participants in the investment process shall seek to act responsibly as custodians of the public trust. The investment manager shall avoid any transaction that might impair public confidence in the Town's effectiveness.

DELEGATION OF AUTHORITY

Responsibility for the overall financial management of the Town of Warrenton rests with the Director of Finance and Personnel, subject to the direction and control of the Town Manager. It is the responsibility of the Director of Finance and Personnel to initiate and support cash management and investment policies and procedures.

It is within the Director of Finance and Personnel's authority to delegate the operation of the investment program.

PRUDENCE

Investments shall be made with judgment and care under prevailing circumstances which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment considering the probable safety of their capital as it relates to the probable income to be derived.

The standard of prudence to be used by the investment manager shall be the "prudent person" and shall be applied in managing an overall portfolio. Investment officials acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual investment vehicle's performance, provided that deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

ETHICS AND CONFLICTS OF INTEREST

Employees involved in the investment program shall refrain from personal business activity that could conflict with proper execution of the investment program, or that could impair their ability to make impartial investment decisions.

Employees shall disclose to the Town Manager any material financial interests in financial institutions that conduct business with the Town of Warrenton and shall further disclose any large personal financial/investment positions that could be related to performance of the Town's portfolio.

Employees shall subordinate their personal investment transactions to those of the Town of Warrenton, particularly regarding timing of purchases and sales.

MONITORING AND ADJUSTING THE PORTFOLIO

In accordance with the Town's investment objectives to earn a safe and liquid average market rate of return on all funds invested, the investment official will take a passive investment posture.

Due to the size of the Town's investment portfolio, the expertise of its investment manager and past practice, it is impractical to aggressively manage its investment portfolio. Accordingly, a buy and hold approach will govern the investment program:

INTERNAL CONTROLS

The execution of all investments shall be carried out by an investment officer upon approval by the Finance Director.

Compliance with the Code of the Town of Warrenton, this Investment Policy and generally accepted accounting practices, play a significant role in the annual audit function conducted by an Independent Certified Public Accounting Firm.

The study and evaluation of internal control is a valuable part of the annual audit, with the management letter issued by the auditors bringing to light any significant weaknesses in the current system of internal accounting controls.

The Director of Finance and Personnel shall evaluate continually the need to change or strengthen internal controls currently in place.

AUTHORIZED INVESTMENTS

Authorized investments for public funds are limited to those set forth in Chapter 18, Section 2.1-328 of the Code of Virginia.

Investment vehicles for the Town of Warrenton shall be further restricted in consideration of the size of the portfolio and the absence of professional investment personnel.

The Town of Warrenton may invest any and all funds belonging to it or in its control in the following:

1. Obligations of the Commonwealth of Virginia. Stocks, bonds, notes and other evidences of indebtedness of the Commonwealth, and those unconditionally guaranteed as to the payment of principal and interest by the Commonwealth of Virginia.
2. Obligations of the United States. - Stocks, bonds, notes and other evidences of indebtedness of the United States, its agencies or government sponsored corporation. These securities can be held directly or in the form of a registered money market or mutual fund provided that the portfolio of the fund is limited to such evidences of indebtedness.
3. Certificates of deposit and time deposits of Virginia banks and savings institutions federally insured to the maximum extent possible and collateralized under the Virginia Security for Public Deposits Act, Section 2.1-361 of the Code of Virginia.
4. Overnight, term or open Repurchase agreements collateralized by U.S. Treasury/Agency Securities. The collateral for overnight or one day repurchase agreements is required to be at least 100% of the value of the repurchase agreement.

5. "Prime Quality" commercial paper, with a maturity of 270 days or less, issued by corporations organized under the laws of the United States, with a rating no lower than P-1 by Moody's Investor Service AND A-1 by Standard and Poor's Corporation.
6. Commonwealth of Virginia Local Government Investment Pool (LGIP). - Convenience and cost effectiveness are primary advantages in using the LGIP as an investment vehicle.

INVESTMENT DIVERSIFICATION

The Town of Warrenton shall diversify its investments by type and issuer consistent with the following guidelines:

1. The portfolio will be diversified with no more than five percent of its value invested in the securities of any single issuer. This limitation shall not apply to securities of the Commonwealth of Virginia, the U.S. Government, insured certificates of deposit and the Commonwealth of Virginia Local Government Investment Pool.
2. The maximum percentage of the portfolio permitted in each eligible security type is as follows:

Commonwealth of Virginia Securities	50%
U.S. Government Securities	50%
Certificates of Deposit	75%
Repurchase Agreements	50%
Commercial Paper	25%
Virginia LGIP	100%

REPORTING

Periodic reporting of portfolio position and investment performance results will add an element of accountability and discipline to the Town of Warrenton's Investment Program.

The investment officer shall prepare and incorporate into the monthly council financial report an accounting of investment activity for the month then ended. The report will show the details of the portfolio's position at month end and will include current yield, investment income, investment income compared to prior years as well as current budget projections.